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Message Text

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PAGE 01 KINSHA 06647 270912Z
ACTION AF-10

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E.O. 11652: N/A
TAGS: EFIN, CG
SUBJECT: IMF FINANCIAL PROJECTIONS FOR ZAIRE

REF: A) STATE 147005, B) KINSHASA 3204

1. THE IMF'S PRE-SHABA BALANCE OF PAYMENTS PROJECTIONS FOR 1978 ARE BASICALLY IN LINE WITH OUR ORIGINAL ESTIMATES REPORTED REF B. SPECIFIC COMMENTS ON THE IMF BALANCE OF PAYMENTS FIGURES FOLLOW:
A. WITH RESPECT TO RECEIPTS, IN ADDITION TO DIVIDING THE $220 MILLION LONDON BANK LOAN BETWEEN 1978 AND 1979, WE PRESUME THAT THE IMF HAS ALSO INCLUDED IN CAPITAL RECEIPTS FOR BOTH YEARS SUPPLIER CREDITS, SHORT-TERM TRADE CREDITS, AND MEDIUM/ LONG-TERM LOANS. THE IMF'S EXACT BREAKDOWN WOULD BE INTEREST-ING SINCE WE ARE SKEPTICAL THAT OVERALL CAPITAL RECEIPTS WOULD RUN THIS HIGH.
B. WE NOTE WITH INTEREST THE IMF'S ESTIMATE OF A $155 MILLION REDUCTION IN NET FOREIGN EXCHANGE RESERVES IN 1978. TO THE BEST OF OUR KNOWLEDGE, ZAIRE'S ONLY FOREIGN EXCHANGE RESERVES ARE THE $85 MILLION IN THE BLOCKED BIS ACCOUNT. THE BALANCE PRESUMABLY INCLUDES THE $70 MILLION IN FOREIGN RESERVES THAT THE IMF SHOWS TO HAVE ACCUMULATED IN 1977. WE WOULD
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PAGE 02 KINSHA 06647 270912Z

AGAIN BE INTERESTED TO KNOW THE EXACT COMPOSITION OF THE $70 MILLION IN RESERVES.
C. AS FAR AS THE IMF'S 1979 ESTIMATE OF ZAIRE'S EXPORT RECEIPTS IS CONERNED, WE BELIEVE THAT $1,361 MILLION IS TOO HIGH IN THE WAKE OF THE KOLWEZI INVASION AND, NO DOUBT, INCLUDES PRODUCTION FROM THE GECAMINES P-2 EXPANSION PROJECT. THE 1979 COMPLETION DATE FOR THE EXPANSION IS NO LONGER VALID,

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

AND WE CONSIDER THAT GECAMINES WILL BE DOING WELL TO REACH
1977 PRODUCTION LEVELS IN 1979. NEVERTHELESS, CONTINUED
IMPROVEMENT IN WORLD COPPER PRICES COULD CONCEIVABLY COMPEN-
SATE FOR SOME OF THE PRODUCTION SHORTFALL IN TERMS OF OVERALL
FINANCIAL RETURNS. ALSO, INCREASED EMPHASIS ON COBALT
EXTRACTION, WHICH WAS NEGLECTED IN 1977 IN AN ATTEMPT TO
MAXIMIZE COOPER OUTPUT, COULD ENABLE ZAIRE TO TAKE BETTER
ADVANTAGE OF SHARPLY HIGHER WORLD COBALT PRICES. FINALLY, WHILE
COFFEE PRODUCTION FOR 1979 IS AGAIN PROJETED AT AROUND
80,000 MT, TIGHTER EXPORT/FOREIGN EXCHANGE CONTROLS UNDER
EXPATRIATE SUPERVISION COULD IMPROVE THE
REPATRIATION OF EXPORT EARNINGS.
D. THE IMF'S PROJECTIONS OF FOREIGN EXCHANGE AVAILABILITY
FOR IMPORTS IN 1978 AND 1979 ARE LOW ENOUGH TO SUGGEST NO
SIGNIFICANT REPAYMENT OF COMMERCIAL ARREARS IN EITHER YEAR.
MOREOVER, SUCH DEPRESSED IMPORT LEVELS WOULD GUARANTEE A
CONTINUED SHARP DELINE IN GDP IN BOTH YEARS. THE EVENTS IN
KOLWEZI HAVE ALREADY RENDERED THE ECONOMIC SITUATION EVEN
MORE CRITICAL IN 1978. HOWEVER, IMF FIGURES ALSO SHOW THAT
ZAIRE CAN EXPECT A MAJOR FINANCIAL SQUEEZE IN 1979 AS THE DEBT
SERVICE BURDEN--EVEN WITH RESCHEDULING--CLIMBS AND FOREIGN
RESERVES EVAPORATE.
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